GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:38
ANSWERED ON:17.10.2008
REPO AND CRR RATE
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Will the Minister of FINANCE be pleased to state:

(a) whether Reserve Bank of India (RBI) has raised Repo and Cash Reserve Ratio (CRR) rates in the recent part;and

(b) if so, the details thereof and its impact on inflation,economic growth and increase in rate of interest by banks?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI PAWAN KUMAR BANSAL)

(a)&(b):The Repo Rate was increased from 7.75 per cent to 8.0 per cent with effect from (wef) June 11,2008 to 8.5 per cent wef June 24, 2008 and further to 9.0 per cent wef July 29, 2008.

The Cash Reserve Ratio (CRR) was raised from 7.50 per cent to 7.75 per cent wef April 26, 2008, to 8.00 per cent wef May 10, 2008, to 8.25 per cent wef May 24, 2008, to 8.5 per cent wef July 5, 2008, to 8.75 per cent wef July 19,2008 and to 9.00 per cent wef August 30, 2008.

However, the CRR was cut to 6.50 per cent wef October 11,2008,announcement for which was done in three parts- 0.5 per cent on October 6,2008 to 8.5 per cent,1.0 per cent on October 10,2008 to 7.5 per cent and further 1.0 per cent on October 15, 2008 to 6.5 per cent.The announcement on October 15, 2008 is implemented retrospectively.

There has been no change in the Bank Rate which stands at 6 per cent.The rate of interest charged by the banks takes into account the liquidity conditions and the credit demand.

The Reserve Bank of India (RBI) has through Annual Policy Statements stated its resolve to tackle price rise while ensuring a monetary and interest rate environment that supports export and investment demand in the economy so as to enable continuation of the growth momentum.Towards this end,RBI endeavours with its policy of active demand management of liquidity through the appropriate use of policy instruments.

The rate of inflation on a point to basis measured by the Wholesale Price Index (1993-94=100) was 7.75 per cent during 2007-08 and 11.80 per cent on September 27, 2008.

The growth rate of Gross Domestic Product(GDP, at factor cost at 1999-2000 prices) was 9.0 per cent during 2007-08.As per the advance estimates,the growth rate of GDP (at factor cost at 1999-2000 prices)and 7.9 per cent during the first quarter April-June 2008-09.